

Realty Trust Review

July 16, 1973

VOL. IV, No.13

VALUE GUIDE TO TRUSTS REVIEWED IN THIS ISSUE

	Port. Yield	--6 Mo. Port. Last	Chng.-- E Next	Lever. Ratio	Price	Div. Yield	Page
Am. Century Mtg.	9.56%	8%	15%	1.74	\$18.63	12.4%	3
Baird & Warner	9.88	6	10	1.58	17.88	10.9	3
Barnes Mtg.	12.47	NO	100	0.28	17.88	7.8	3
Benef. Std. Mtg.	11.10	25	21	1.54	24.38	11.0	4
Central Mtg.	11.83	24	60	1.07	19.25	9.5	4
C.I. Mtg.	10.51	9	22	1.60	18.50	9.7	4
Citination Dev.	10.27	19	5	1.49	13.00	13.8	5
Dominion Mtg.	14.54	47	50	3.26	16.75	10.6	5
Fidelity Mtg.	12.81	21	14	2.71	31.63	11.1	5
First Commerce Rlt.	NA	NO	53	0.56	23.25	NA	6
Great Amer. Mtg.	11.56	38	14	3.49	32.50	10.3	6
Gulf So. Mtg.	12.54	26	70	1.96	19.38	12.4	6
Hanover Sq. Rlty.	10.98	62	47-57	1.24	17.50	11.2	7
IDS Realty	10.68	37	30	1.45	25.75	9.3	7
Mtg. Trust Am.	10.48	-4	6	1.17	16.75	11.2	7
TMC Mtg.	15.31	NO	24-60	2.12	23.63	12.7	8
USF Inv.	13.14	10	NE	1.61	23.38	12.4	8
Wachovia Rlty.	11.63	23	18	1.80	23.63	10.1	8
AVERAGES	11.72%	23%	33%	1.70		10.9%	

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yield is a general measure of risk to the investor, with highest yields typically the riskiest. Changes in funded portfolio indicate relative dynamism in earning assets, although holdings of equity typically will increase much more slowly than a mortgage portfolio. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt which is working to produce return to the trust's capital (equity plus convertibles). NO-No operation. NE-No estimate.

Statistical summaries for each trust reviewed have been expanded to aid subscribers. Operating record for the four latest quarters is now shown instead of only three quarters previously. Ranges for share prices and dividend yields are shown for all four quarters to facilitate comparison with current yields and prices. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the quarter covering two months of the trust interim. For instance, December quarter prices are shown for trusts with November, December and January interims while March quarter prices are used for trusts with February, March or April interims.

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UNBOTTLING OF PRIME RATE AIDING TRUSTS LINKING PORTFOLIO YIELD TO SHORT-TERM RATES

Three Key Ratios

	Loss Res. #	Expense ratio*	Prob. Loans#
Am. Century	0.61%	1.17%	7.70%
— Baird & Warner	0.26	1.11	2.28
Barnes Mtg.	NO	3.30	None
— Benef. Std.	0.37	1.70	None
Central Mtg.	0.19	1.64	None
— C.I. Mtg Group	0.16	1.40	1.66
Citination Dev.	None	1.64	7.94
— Dominion Mtg.	0.31	2.45	1.45
Fidelity Mtg.	0.64	1.66	2.15
— First Commerce	NO	NO	NO
Great Amer.	0.53	1.16	3.06
— Gulf So. Mtg.	0.10	2.06	None
Hanover Square	0.09	1.81	None
— IDS Realty	0.14	1.49	None
Mtg. Trust	0.69	1.61	NA
— TMC Mtg.	0.12	2.00	None
USF Inv.	0.66	1.94	See text
— Wachovia Rlty.	0.64	1.67	None
Avg.	0.34%	1.75	

#Based on latest gross portfolio. *Based on avg. fundings. NA-Not Available.

Federal Reserve Board moves effectively unbottling the prime rate have let that key rate soar a full 1% to 8¼% since Memorial Day. This is spring tonic for the 18 short-term trusts reviewed this issue, since all tie between 60% and 100% of their portfolio to prime. Prime hasn't caught up with commercial paper rates, still 1½% to ¾% higher, but the relief has helped these trusts widen spreads on borrowed funds, especially for smaller trusts relying on banks for their short-term money.

Three trusts reviewed have been among leaders in tying loans to the higher of the prime or commercial paper rates and they are benefitting the most. *IDS Realty* started the practice and has about 70% tied to this base, the industry's highest percentage. *Great American Mortgage* has about 20% of commitments tied to this base and *Fidelity Mortgage* is near that level. This has allowed the trio to continue scoring earnings gains while others falter, and in our view continues their attraction for longer-term appreciation.

USF Investors has just retained a subsidiary of Provident Bank in Philadelphia as

its new sponsor, first non-sale change of sponsorship, and this should aid the trust's ability to attract new funds. *American Century* is a longer-term recovery speculation and *First Commerce*, *Hanover Square* and *TMC Mortgage* are attractive newcomers.

REIT ADVISORY FEES: SWING TO VOLUME DISCOUNTS BRINGS SMALL EPS GAINS

Realty trusts are moving slowly to pass on some economies of scale to shareholders by reducing the basic advisory fee paid to investment advisers as assets under management increase. This trend emerges from a new survey of real estate trust fee practices Audit Investment Research has completed for investment counseling clients and which is being made available for limited distribution (see enclosed bulletin).

The survey finds that eight of the 27 trusts operating under volume discounts have started volume discounts since the beginning of 1972. Seven have switched from flat base rates: *Alison Mortgage*, *American Century Mortgage*, *Fidelity Mortgage*, *First Pennsylvania Mortgage*, *Guardian Mortgage*, *Republic Mortgage* and *Security Mortgage*. In addition, *Pease & Elliman Realty Trust* began operations in November 1972 under a volume discount plan. While only 21% of the 131 trust surveyed provide for volume discounts, the survey clearly establishes this as the most popular single form of fee change.

So far the changes have tended to have relatively small impact on earnings per share for most trusts, mainly because many trusts have not yet reached levels where the discounts take hold. *Guardian Mortgage Investors* shareholders have been the biggest beneficiaries to date, with fiscal 1973 (February) earnings per share climbing 7½%, or \$0.28 per share, because of new volume discounts. The changes sliced advisory fees by about 17½%. While shareholders of other trusts have yet to reap benefits of this magnitude, the longer term impact of the volume discounts can only mean others will repeat *Guardian's* experience.

One trust, *Northwestern Mutual Life Mtg. & Realty Investments*, has moved to a combination performance fee based on earnings per share results plus fees for services rendered. *Northwestern Mutual* is the first to break decisively with fees based on assets under management and tie the fee to results attained for shareholders. On a pro forma basis for fiscal 1973 (March), the new schedule would have increased earnings per share by about \$70,000, or \$0.01½ per share primary, a gain of about 0.8% from \$1.80/sh.

AMERICAN CENTURY MTG. INV. (NYSE-ACT)--FY ends June 30--Price:\$18.63 Yld: 12.4%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
6/72	\$140.4M	10.64%	10.89%	\$0.60	\$0.54	\$0.58	\$28.88-\$24.38	9.5-8.0%	
9/72	157.5	10.52	10.95	0.61	0.55	0.58	27.38-22.25	10.4-8.5	
12/72	161.9	9.42	6.57	0.32#	0.34	0.58	27.00-23.38	9.9-8.6	
3/73	169.8	9.58	9.46	0.50	0.49	0.58	26.13-19.63	11.8-8.9	

Portfolio dynamics: Funding growth was slowed by diversion of management time to cope with problem loans in Washington and holdings gained only 7.8% last two quar. Rising commitments point toward higher funding levels. Holdings are 82.8% first mtg. constr. & devel. loans, 4.0% permanent mtgs., 2.7% land purchase/leasebacks, 7.7% property acquired via foreclosure. Crumbling of Pomponio empire in Washington last fall (RTR, Sept. 25) hit ACT hardest among trusts and ACT held investments in six Pomponio buildings. Non-earning assets total about \$16.8M currently and will reach about \$21M by Dec. as largest investment, 400-room Stouffer's Inn near National Airport, is completed. Two other investments have been sold or are earning now, and two others will be finished in fall and will begin earning. ACT could enter calendar 1974 with one \$2.4M land parcel as only earnings' drag. Financing: Capital of \$65.1M is 81% equity, the rest convertibles. Bank lines provide 93% of non-convertible debt of \$113.4M but commercial paper sales are being started. Sponsors: American Century Advisers, 80% owned by American Heritage Life Inv. Corp., life insurance holding co., and 20% by Merrill Lynch, Pierce, Fenner & Smith, largest U.S. securities brokerage. Results & outlook: High percentage of non-earning assets have limited yield and earnings in recent quarters, but rapid prime rate rises and prospect of reduction of non-earning assets in December point to higher yields. Dividend has been held at \$0.58/sh. via payments from retained earnings and gains on sale of foreclosures but only \$0.14/sh. remains from this source to pay dividend thru June quarter; we expect some small dividend cut for Sept. or Dec. quar. Shares have been under pressure from adverse Merrill Lynch report but may be held for speculative recovery. (KDC) #Plus \$0.29/sh. cap. gain.

BAIRD & WARNER MTG. & RLTY. INV. (OTC-BAIDS)-FY July 31--Price:\$17.88 Yld:10.9%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
7/72	\$46.0M	10.24%	10.30%	\$0.56	\$0.45	\$0.44	\$19.00-18.25	9.6-9.3%	
10/72	58.0	9.67	9.52	0.49	0.44	0.47	19.38-17.50	10.7-9.7	
1/73	57.6	9.39	9.58	0.49	0.43	0.47	21.63-20.38	9.2-8.7	
4/73	61.3	9.88	10.00	0.49	0.44	0.49	23.00-18.25	10.7-8.5	

Portfolio dynamics: Current portfolio, which increased 6% over the last 2 qtrs., is 86% constr., land, devel. & other first mtg.; 12% equity; 2% junior. Investments are mainly located in the Mid-West with heavy concentration in metropolitan Chicago. Some 80% of loans are tied to prime and new loans are being tied to that rate. Trust has one loan of \$1.4M in foreclosure and mgmt. expects no loss of principal. About 10% growth in fundings is expected over the next six months with most new investments being in mtgs. Financing: Capital of \$24.0M is 81% equity (there are 1.02M shares outstanding) and 19% 6 3/4% convt. debent. Debt is \$37.9M with 92% bank borrowings and 8% mtg. No public financing in next 6 months as trust will be expanding bank lines. Sponsor: Baird & Warner, Chicago mtg. banker and realty firm. Results & outlook: Level earnings of the past 3 qtrs. should increase moderately due to improving portfolio yield and better spread between debt and borrowings. No overhang of warrants. Shares have attractive yield. (VCK)

BARNES MORTGAGE INV. (OTC-BARNES)-FY Sept. 30--Price:\$17.88 Yld: 7.8%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
3/73	\$40.9M	12.47%	7.79%	\$0.36	\$0.36	\$0.35	\$19.25-17.87	7.8-7.3%	

Portfolio dynamics: March was the first quarter of operation. Latest portfolio is 52% constr.; 30% devel.; 8% land; 6% wrap-around; 4% intermediate. Over 50% of investments are located in Michigan with remainder in 7 other states and P.R. Trust intends to enter the S.E. and S.W. states more heavily in the near future. In excess of 90% of loans are tied to prime and new loans are being made at the higher of prime or the commercial paper rate. No problem loans in portfolio. Mgmt. expects portfolio to reach \$100M by Dec. '73, a 145% gain, with major emphasis on short-term loans. Financing: Capital of trust is \$35.6M, all equity with 1.91M shares. Debt of \$10.0M is all bank borrowings. Trust went public Dec. 14, 1972 when it sold 1.93M units (1 share, 1 wt.) @ \$20 per unit. Sponsor: J.T. Barnes Co., Detroit mtg. banker. Results & outlook: Mgmt. sees earnings gain of some 25% in June quar. Shares have speculative appreciation potential. (VCK)

BENEFICIAL STANDARD MTG. INV. (ASE-BSM)-FY July 31--Price:\$24.38 Yld:11.0%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
7/72	\$57.1M	11.32%	10.90%	\$0.77	\$0.49	\$0.65	\$25.50-23.50	11.1-10.2%
10/72	67.3	11.02	11.29	0.76	0.51	0.65	27.00-23.75	11.0- 9.6
1/73	71.2	11.22	11.01	0.71	0.53	0.63	28.63-26.38	9.6- 8.8
4/73	84.5	11.10	11.29	0.68	0.55	0.67	28.38-23.88	11.2 9.4

Portfolio dynamics: Fundings gained 25% in the past six months and mgmt. expects portfolio to increase by \$9M per quarter, an estimated 21% advance in the next 6 months. Investments, by type, are: 24% apartments; 20% commercial; 15% land devel.; 12% single family; 11% condominiums; 6% mobile home parks and the remaining 12% in office buildings, land and other. Holdings are located in 19 states and Canada with some concentration in Ariz., Fla. and Canada. About 70% of loans are tied to prime and new loans are being tied to prime. The trust's two DeBoer Assoc. loans (see RTR, May 29) are not causing any loss of interest. One \$2.5M loan has been funded by the permanent lender and the other loan for \$1M is current. Financing: Capital of \$36.4M is 71% equity (with 1.27M shares) and 29% of 6½% convt. debent. Debt of \$55.9M is almost all bank notes. No public financing in next six months. Sponsor: Beneficial Standard Life Insurance Co. Results & outlook: High money costs and a slight portfolio decline were main reasons for decline in earnings over the past 3 qtrs. Trust future earnings should rebound since it is almost completely out of commercial paper and relying on cheaper bank lines for borrowings. An overhang of 68% due to warrants a moderate negative. Shares have attractive yield. (VCK)

CENTRAL MORTGAGE & REALTY (OTC-CMRTS)-FY Mar. 31--Price:\$19.25 Yld:9.5%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
6/72	\$16.8M	9.09%	7.24%	\$0.32	\$0.32	\$0.31	\$16.25-15.88	7.8-7.6%
9/72	21.9	9.96	8.09	0.36	0.36	0.35	16.75-16.25	8.6-8.4
12/72	26.8	10.76	9.14	0.41	0.41	0.40	17.50-17.00	9.4-9.1
3/73	27.2	11.83	10.73	0.51	0.38	0.46	19.50-17.75	10.4-9.4

Portfolio dynamics: Fundings grew 24% over the last 6 months with latest portfolio being 63% constr. and devel.; 28% intermediate; 6% wrap-around; 3% equity. Investments have heaviest concentrations in Minn., Mo., Kan. About 95% of loans are tied to prime rate. No problem loans. Mgmt. estimates portfolio to be \$60M by Mar.'74, a 121% gain, having the present composition. Financing: Capital of \$14.1M is all equity with 775T shares. Debt of \$15.1M is 96% bank loans and 4% mtg. Some type of public financing is probable in next 6 months. Sponsor: City Bond & Mortgage, Kansas City, and Eberstadt Co., Minneapolis, both mtg. bankers. Results & outlook: The rather sharp gain in latest qtr. earnings and dividends was due to inclusion of commitment fee income not taken during prior qtrs. Strong funding growth and attractively rising portfolio yield should produce continued though more moderate earnings and dividend gains. Overhang of 100% due to warrants and pending financing are negatives. Shares have moderate appreciation potential. (VCK)

C.I. MORTGAGE GROUP (NYSE-CI)-FY Oct. 31--Price:\$18.50 Yld:9.7%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
7/72	\$188.5M	10.48%	11.93%	\$0.56	\$0.51	\$0.56	\$25.50-22.00	10.2-8.8%
10/72	199.4	10.39	12.02	0.57	0.44	0.57	24.13-22.00	10.4-9.5
1/73	212.1	10.12	12.16	0.57	0.46	0.57	25.00-22.88	10.0-9.1
4/73	217.0	10.51	11.60	0.54	0.53	0.54	25.00-21.50	10.0-8.6

Portfolio dynamics: Portfolio gained 9% over the last 6 months and mgmt. expects fundings to reach \$265M, a 22% increase, by Oct.'73 with composition and geographical distribution unchanged. Current investments are 97% constr., devel., first mtg., junior, long-term constr. and 3% equity. Loans are located in 27 states and P.R. with concentrations in N.Y., Fla and N.J. About 65% of present loans are tied to prime and new loans are being tied to prime. Beside the \$18.5M in 5 DeBoer Assoc. loans which are all current (see RTR, May 29), the trust has 2 loans amounting to \$3.6M on which it is not accruing interest. One loan for \$1.1M is in foreclosure and the other loan for \$2.5M will eventually be sold. Financing: Trust's capital of \$90.9M is all equity with 4.81M shares. Debt of \$145.0M is 55% commercial paper, 26% bank borrowings, 17% term loan and 3% mtg. Since trust recently negotiated a 5 year term loan, a public offering in next 6 months is not expected. Sponsor: City Investing Co., diversified insurance and real estate company. Results & outlook: July cut in monthly dividend from \$0.18 to \$0.15 presages lower July quar. earnings, blamed on narrowing spread which should improve. Shares for variable income. (VCK)

CITINATIONAL DEVELOPMENT TRUST (OTC-CITI6)--FY Mar. 31--Price:\$13 Yld:13.8%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
6/72	\$21.2M	10.33%	10.41%	\$0.48	\$0.40	\$0.45	\$17.25-17.00	10.6-10.4%	
9/72	23.5	10.82	11.18	0.52	0.43	0.45	17.00-16.50	10.9-10.6	
12/72	25.2	10.27	10.25	0.48	0.40	0.45	17.50-17.00	10.6-10.3	
3/73	N.A.	N.A.	N.A.	0.44	N.A.	0.45	18.00-15.50	11.6-10.0	

Portfolio dynamics: Investments grew by 19% in the six months ended Dec. '72. The portfolio at that date was 99% first mtg. and 1% joint ventures with a major concentration of investments located in California. Trust has a \$2.0M problem loan in Washington, D. C. on which it is not accruing interest and which will cost the trust \$0.03 per share per month until it is repaid. We are looking for a 10% growth in fundings from those of Dec. '72. Financing: Capital of trust is \$11.0M, all equity with 600T shares. Debt of \$16.4M is 70% bank loans and 30% commercial paper. No public financing in next 6 months. Sponsor: City National Bank of Beverly Hills, Cal. Results and outlook: The drop in March '73 qtr. earnings is largely attributable to the \$2.0M problem loan, which represents almost 8% of the Dec. portfolio. Near term earnings will continue to be restricted until this loan is repaid.

(VCK)

DOMINION MTG. & REALTY (OTC-DMRTS)--FY May 31--Price:\$16.75 Yld:10.6%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
5/72	\$12.0M	15.46%	16.44%	\$0.44	\$0.32	\$0.33	\$18.25-12.00	11.0- 7.2%	
8/72	16.0	15.28	19.62	0.51	0.37	0.40	19.00-15.25	10.5- 8.4	
11/72	20.8	15.02	22.20	0.55	0.36	0.44	19.50-17.00	10.4- 9.0	
2/73	23.5	14.54	22.22	0.50	0.36	0.45	17.50-15.50	11.5-10.2	

Portfolio dynamics: Fundings increased 47% over the last 2 qtrs. and mgmt. estimates a 50% gain over the next six months. The latest portfolio is 96% mtg. and 4% real estate with investments located in 9 states, P.R. and Canada. Over 80% of loans are tied to prime and new loans are being tied to prime. Trust has one loan for \$340T on which it is not accruing interest but foreclosure has begun and trust expects no loss of interest or principal. Financing: Capital of \$5.5M is all equity with 583T shares. Debt of \$17.9M is 61% of 8% sub. debent. and 39% bank loans. Trust plans no public financing in next six months but will be issuing commercial paper backed by bank letter of credit. Sponsor: Independent. Results & outlook: Mgmt. expects final audit to confirm that earnings gained in the May quar. Strong funding growth and improvement of spread should permit moderate dividend gains in near-term quarters. Overhang of 172% from warrants a negative. Shares carry variable yield and speculative appreciation potential.

(VCK)

FIDELITY MORTGAGE INV. (NYSE-FID)--FY ends Oct. 31--Price:\$31.63 Yld:11.1%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
7/72	\$157.8M	12.38%	15.19%	\$0.80	\$0.73	\$0.76	\$28.75-25.38	12.0-10.6%	
10/72	173.4	12.69	16.08	0.84	0.75	0.82	31.38-27.25	12.0-10.5	
1/73	194.0	12.02	17.10	0.88	0.83	0.86	35.75-30.63	11.2- 9.6	
4/73	209.5	12.81	17.55	0.90	0.86	0.88	38.00-31.75	11.1- 9.3	

Portfolio dynamics: Holdings rose 21% the past two quar. and strong commitment volume indicates gain of about 14% to about \$240M next two quar. Holdings are 69% constr. loans, 30% land devel. loans, 1% property. Loans are 31% in the Southeast, 26% West, 25% Southwest, 15% Northeast. FID specializes in "tough" construction loans requiring unusual structuring or conditions. Yield has been commensurately above average but so is risk. FID overcame problem loans from Four Seasons Nursing in 1970 without loss and recently hired one man to deal with problem loans exclusively. Currently four loans totaling about \$6.5M (or 3.1% of fundings) are not earning full interest but management expects no loss. Financing: Capital of \$63.1M is 95% equity, the rest convertibles. Non-convertible debt of \$170.8M is 29% comm. paper, the rest bank short-term and term loans. Private placement of \$15M (\$3M convert., \$12M subor.) is about finalized at about 8.75% interest. Sponsor: George Washington Corp., life insurance holding co. Results & outlook: Commercial paper squeeze held April quar. earning gain to \$0.02/sh. and should restrict July and Oct. quar. Rising prime rate (about 65% of loans are tied to higher of prime or commercial paper) is increasing portfolio yield. Fundings should gain primarily because paybacks have slowed from construction delays blamed on poor weather, slow sales, materials price gains. Shares are speculative holding in risk accounts.

(KDC)

GREAT AMERICAN MTG. INV. (NYSE-GAA)--FY ends July 31--Price:\$32.50 Yld:10.3%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
7/72	\$205.4M	11.62%	15.61%	\$0.69	\$0.66	\$0.67	\$33.88-28.50	9.5-8.0%	
10/72	240.6	11.27	16.90	0.73	0.71	0.72	34.00-29.13	9.9-8.5	
1/73	280.7	11.43	17.66	0.77	0.75	0.76	38.25-32.13	9.5-8.0	
4/73	331.4	11.56	18.86	0.82	0.79	0.81	40.38-34.00	9.5-8.0	

Portfolio dynamics: Fundings rose 37% the past two quar., a small part of the gain reflecting slower paybacks and changes in funding schedules by permanent lenders. We estimate a smaller gain of about 15% the next two quar. Fundings are 98% in short-term mtgs., the rest in equities. Mtg. loans are 42% in apartments and housing, 22% in condominiums, 14.7% in land, 7% hotel and motel, 6% office building. Loans are 36% in Florida, 21% in Georgia, 14% in Texas, the remainder in 8 other Southeastern states and P.R. Holdings incl. \$6.9M in foreclosed property and \$2.7M in loans in default; management has had excellent success in dealing with problem loans and sold four previously foreclosed properties in its Jan. quar. About 20% of commitments are tied to higher of prime or commercial paper rates. Financing: Capital of \$78.7M is 81% equity and the rest convertibles. Non-convertible debt of \$274.5M is 47% in bank loans, 44% commercial paper and 9% in 7.55% sr. subor. debentures. On May 3 GAMI sold \$25M of 8.75% junior subor. debentures and a \$25M bank term loan has been negotiated. Capital appears adequate to support portfolio growth to about \$500M. Sponsor: UniCapital Corp., financial holding company in Atlanta. Results & outlook: Origination capability plus sophisticated liability management have given trust excellent record. Ability to deal with problem loans good. Shares provide speculative longer-term capital gains potential. (KDC)

GULF SOUTH MORTGAGE INV. (ASE-GSR)-FY Dec. 31--Price:\$19.38 Yld:12.4%									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
6/72	\$21.8M	12.01%	10.35%	\$0.48	\$0.48	\$0.45	\$15.00-14.63	12.3-12.0%	
9/72	28.0	11.61	10.77	0.50	0.50	0.50	17.25-16.25	12.3-11.6	
12/72	35.1	12.66	12.28	0.58	0.58	0.61	20.38-19.00	12.8-11.9	
3/73	35.1	12.54	12.99	0.60	0.60	0.60	23.50-19.50	12.3-10.2	

Portfolio dynamics: There was a 26% gain in fundings the past 6 months and mgmt. expects the portfolio to reach \$60M by Sept.'73, a 70% increase, and to be \$70-\$75M by Dec.'73 a 99%-113% advance. Present portfolio is 63% constr., 28% land devel., 9% term and with little change in composition. Two small problem loans have been repaid at no loss to the trust and at present there are no problem loans. Some 76% of loans are tied to prime and new loans are being tied to prime. Loans are located in 10 states and Puerto Rico with over half in Oklahoma. Financing: Capital of \$13.8M is all equity with 761T shares. Debt of \$27.0M is almost all bank loans. Trust offered 400T shares at \$20 per share on April 12, 1973 thru Kohlmeyer & Co. Trust recently placed \$10M of 8 5/8% senior sub. notes with an insurance company. Sponsor: The mtg. bank subsidiary of Standard Life Corp. Results & outlook: Steady past growth in earnings and dividends should continue into the near term due to good funding gains and attractive though slightly declining portfolio yield. Heavy warrant overhang a longer term negative. Shares carry an attractive yield. (VCK)

FIRST COMMERCE REALTY INV. (OTC-FCRNS)--FY Dec. 31--Price:\$23.25 Yld:NA									
Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range	
6/73	\$32.7M	11.0%	NR	NR	NR	NR	\$26.88-21.63	NR	

Portfolio dynamics: Fundings reached about \$32.7M by end of first operating quarter in June and growth of about 53% to about \$50M by year end appears likely. Holdings are about 52% constr. loans, 15% devel. loans, 20% intermediate-term loans, 11% second mtgs., and 2% land loans. Holdings primarily in five states along Gulf of Mexico: Texas, Louisiana, Mississippi, Alabama, Florida. Current loan demand strong and all loans are tied to prime rate. Financing: Capital of \$23.1M is all equity with 1.08M shares. Bank short-term bank borrowings are \$13.0M and bank lines currently being expanded. Sponsor: First Commerce Corp., New Orleans one-bank holding company. Results & outlook: While June quarter results not available, trust has made impressive beginning by moving into leveraged position quickly. Sponsoring bank is headed by former construction loan director for a major Dallas bank and has compiled an impressive growth record since he took office. Absence of warrant overhang a major plus. At a very small premium over book value of \$22.85 the shares have moderate longer-term appreciation potential. (KDC)

IDS REALTY TRUST (NYSE-IDR)--FY ends Jan. 31--Price:\$25.75 Yld:9.3%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
7/72	\$74.8M	9.53%	7.90%	\$0.46	\$0.46	\$0.45	\$23.25-21.25	8.5-7.7%
10/72	98.3	9.41	8.27	0.47	0.47	0.50	24.25-22.25	9.0-8.3
1/73	121.5	10.45	9.96	0.55	0.41	0.55	26.00-22.75	9.7-8.5
4/73	134.2	10.68	10.51	0.57	0.54	0.60	28.00-23.88	10.1-8.6

Portfolio dynamics: Fundings rose 37% the past two quar., representing strong mtg. lending. Holdings are 80% short-term mtg., 4.5% long-term mtg. and 15% property. Short-term mtgs. are about 70% constr. loans, 24% land development, 6% other. About two-thirds of investments are in Southwest and West. Commitments are about \$140M and we expect holdings to grow by about 30% to about \$175M the next two quar. There are no non-earning loans. Trust was first to tie loan rates to commercial paper rate and about 70% of portfolio is now tied to month-end commercial paper rates, which should permit large increases in portfolio yield during July quar. Financing: Capital of \$56.3M is all equity w. 2.41M shares. Non-convertible debt of \$81.3M is 66% commercial paper, 31% in 6.88% subor. debentures, 3% property mtgs. Trust completing sale of \$40M of 7.13% subor. debent. thru IDS mutual fund sales network. Sponsor: IDS, largest U.S. mutual fund manager. Results & outlook: Early tying of loan rates to commercial paper has preserved money spreads. Loan generation ability stronger than generally appreciated via IDS Mortgage, one of largest U.S. mtg. bankers, and access to low-rate subordinated non-convertible debt via direct sales unique among trusts. Recent sale is 1½% below money cost for other trusts. Shares for income and longer term appreciation.* (KDC)

*Audit Investment Research clients & affiliates hold minor positions in these shares.

MORTGAGE TRUST OF AMERICA (NYSE-MT)-FY Nov. 30--Price \$16.75 Yld: 11.2%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
8/72	\$149.1M	10.55%	11.97%	\$0.57	\$0.43	\$0.57	\$25.38-21.88	10.4-9.0%
11/72	157.2	10.39	11.58	0.58	0.42	0.58	24.38-22.00	10.6-9.5
2/73	142.9	9.75	10.10	0.47	0.41	0.47	23.00-18.75	10.0-8.2
5/73	150.8	10.48	9.56	0.47	0.42	0.47	19.63-16.25	11.6-9.6

Portfolio dynamics: Due to heavy repayments portfolio declined 4% over the last six months. Latest investments are 47% constr.; 13% devel.; 12% intermediate; 9% standing; 7% junior; 6% land; 3% permanent; 2% land purchase leasebacks; 1% rental property. Loans are located in 19 states, Canada and Wash. D.C. with 39% concentrated in Calif. About 50% of loans are tied to the higher of prime or the commercial paper rate with new loans being made on this basis. MTA holds several loans on which trust is not accruing interest but amount not specified; no loss of principal is expected. Mgmt. expects portfolio to be in excess of \$160M in next six months, an increase of about 6%. Financing: Capital of trust is \$73.6M, all equity with 3.86M shares. Debt of \$86.0M is 51% commercial paper; 33% long term debt; 16% bank loans. No public financing in next 6 months. Sponsor: Trans-america Corp., a financial service co. Results & outlook: Heavy repayments and higher borrowing costs were prime reasons for earnings declines the past 2 qtrs. Upturn in fundings and rising portfolio yield should enable earnings and dividends to increase modestly. There is a 64% overhang due to warrants. Shares are for variable income. (VCK)

HANOVER SQUARE REALTY INVESTORS (OTC-HASQS)--FY Aug. 31--Price:\$17.50 Yld:11.2%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
11/72	\$31.4M	10.22%	7.17%	\$0.30	\$0.30	\$0.30	\$23.00-20.00	6.0- 5.2%
2/73	40.3	9.41	8.65	0.46	0.42	0.42	22.00-18.75	9.0- 7.6
5/73	50.9	10.98	9.89	0.57	0.47	0.49	19.25-17.50	11.2-10.2

Portfolio dynamics: Fundings rose 62% over the past 2 qtrs. and mgmt. expects investments to reach \$75-80M in next 6 months, a 47-57% gain. Current portfolio is 56% constr., 21% junior, 14% short-term, 5% land, 3% land devel. and 1% land purchase leasebacks; this composition will remain about the same. Investments are located 31% Southeast; 28% Northeast; 18% Mid-Atlantic; 11% Southwest; 6% Midwest; 6% other. No problem loans. Some 65% of loans are presently tied to prime and new loans are being tied to prime. Financing: Capital of \$24.0M is 64% equity (with 829T shares) and 36% of 7½% convt. debent. No public financing planned next six months. Sponsor: W. R. Grace & Co., a major chemical co. Results & outlook: Impressive results of the latest qtr. were produced by strong funding gains and improved yields. Continued healthy portfolio gains and rising yield should aid near-term results. No warrants. Shares for speculative appreciation.(VCK)

TMC MORTGAGE INVESTORS (OTC-TMCM)-FY Mar. 30--Price:\$23.63 Yld:12.7%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
6/73	\$43.7M	15.31%	15.72%	\$0.75	\$0.75	\$0.75	\$22.25-20.63	14.5-13.5%

Portfolio dynamics: This is the first qtr. of operation for the trust, which intends specializing in serving Spanish-speaking builders in Florida, Puerto Rico and elsewhere. Latest portfolio of 34 loans is all constr. and devel. loans located in P.R. and "Cuban" Fla. All loans are tied to prime and in near future new loans will be made using a formula based on the commercial paper rate and prime. No problem loans. Mgmt. expects fundings to be \$54-\$70M by Dec. '73, a 24-60% gain. Loans in P.R. are presently 7% over prime and Fla. loans are about 6% over prime. Financing: Capital of trust is \$15.1M, all equity with 800T shares. Debt of \$32.0M is all bank borrowing. Trust plans a public financing in next 6 months and although exact form is not firm, equity will be included. Sponsor: Trust Mortgage Corp., a P.R. mtg. banker founded by displaced Cubans. Results & outlook: First qtrs. results produced favorable earning and dividend results. Strong fundings growth, high portfolio yield, favorable spreads and absence of warrants all positives. Pending public financing could slow results. Shares carry above-average yield.(VCK)

USF INVESTORS (Name to be changed) (OTC-USFNS)-FY June 30--Price:\$23.38 Yld:12.4%

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
6/72	\$106.1M	12.39%	10.77%	\$0.63	\$0.53	\$0.62	\$26.50-21.13	11.7- 9.4%
9/72	125.5	12.49	11.73	0.67	0.54	0.67	26.63-21.63	12.4-10.1
12/72	128.5	12.92	12.56	0.72	0.58	0.72	27.50-23.13	12.5-10.5
3/73	137.4	13.14	12.75	0.73	0.58	0.73	28.13-22.50	13.0-10.4

Portfolio dynamics: Holdings rose 9.5% the past six months, a period in which management was directing efforts toward coping with problems when the SEC halted trading in stock of the trust's former sponsor, U.S. Financial, in November 1972. With recent selection of a new sponsor, more rapid buildup of fundings appears likely but we are making no specific estimate now. Closed loans total \$259M, indicating backlog of about \$122M awaiting funding. Portfolio is about 62% constr. loans, 35% devel. loans, 4% other. At March 31, about 22% of total closed loans (or about \$57M) were either purchased from U.S. Financial or are joint ventures in which USF had management responsibilities. Trust managers have pressed these borrowers to seek alternative financing and many have done so. We expect USF-related loans to be reduced fairly rapidly to a nominal level. Financing: Shareholders' equity of \$57.4M is represented by 2.50M shares. Debt of \$92.5M is all short-term bank borrowings at prime or 1/4% over prime. The new sponsor is committed to provide \$10M of subordinate debt when needed, to buy up to \$15M commercial paper if necessary, and to aid the trust in expanding bank lines, now with 34 banks, on more favorable terms. Sponsor: On July 1 Provident National Corp., Philadelphia one-bank holding company, became sponsor, replacing U.S. Financial. Results & outlook: Change of sponsorship, the trust industry's first without a sale, should enhance trust's ability to finance portfolio growth. Addition of Provident also strengthens trust's origination and loan administration functions, which we believe sound and will be continued with same adviser personnel. Provident has guaranteed trust against \$3M loss from any problem loans which may arise, protecting shareholders from many uncertainties. Although shares have risen 34% from our June 11 recommendation, they remain worthy of accumulation for yield and longer-term appreciation. (KDC)

WACHOVIA REALTY INVESTMENTS (NYSE-WRI)-FY Aug. 31--Price:\$23.63 Yld:10.1%

Quar.	Port.	Port.Yield	Cap.Ret.	EPS Prim.	Dilut.	Div.	Price Range	Yield Range
8/72	\$127.7M	10.91%	13.02%	\$0.62	\$0.62	\$0.62	\$33.63-30.13	8.2-7.4%
11/72	138.5	10.98	12.34	0.59	0.59	0.66	35.00-30.00	8.8-7.5
2/73	151.5	10.65	12.25	0.58	0.58	0.58	33.63-24.75	9.4-6.9
5/73	170.0	11.63	12.80	0.60	0.60	0.60	24.88-21.38	11.2-9.6

Portfolio dynamics: Latest portfolio is 94% first mtg., 5% other mtg. and 1% real estate with investments located in 30 states and concentration in the Southeast. Fundings in the last 6 months grew by 23% and mgmt. estimates portfolio will reach \$200M in the next six months, an 18% gain, with composition unchanged. No problem loans. Some 65% of portfolio is tied to prime and new loans are being tied to prime. Financing: Capital of \$63.1M is all equity with 3.34M shares. Debt of \$113.3M is 67% commercial paper, 20% bank loans and 13% seven year term loan. No public financing in next 6 months. Sponsor: Wachovia Corp., one-bank holding co. of Winston-Salem, N. C. Results & outlook: Improved portfolio yield and higher spread between lending and borrowing contributed to the latest earnings and dividend gain. Continued growth in fundings and portfolio yield and no dilution from warrants favorable. Shares for variable yield, moderate gains potential.(VCK)